

KEY FINDINGS AND RECOMMENDATIONS

California Economic Strategy Panel

December 15, 2005

KEY FINDINGS

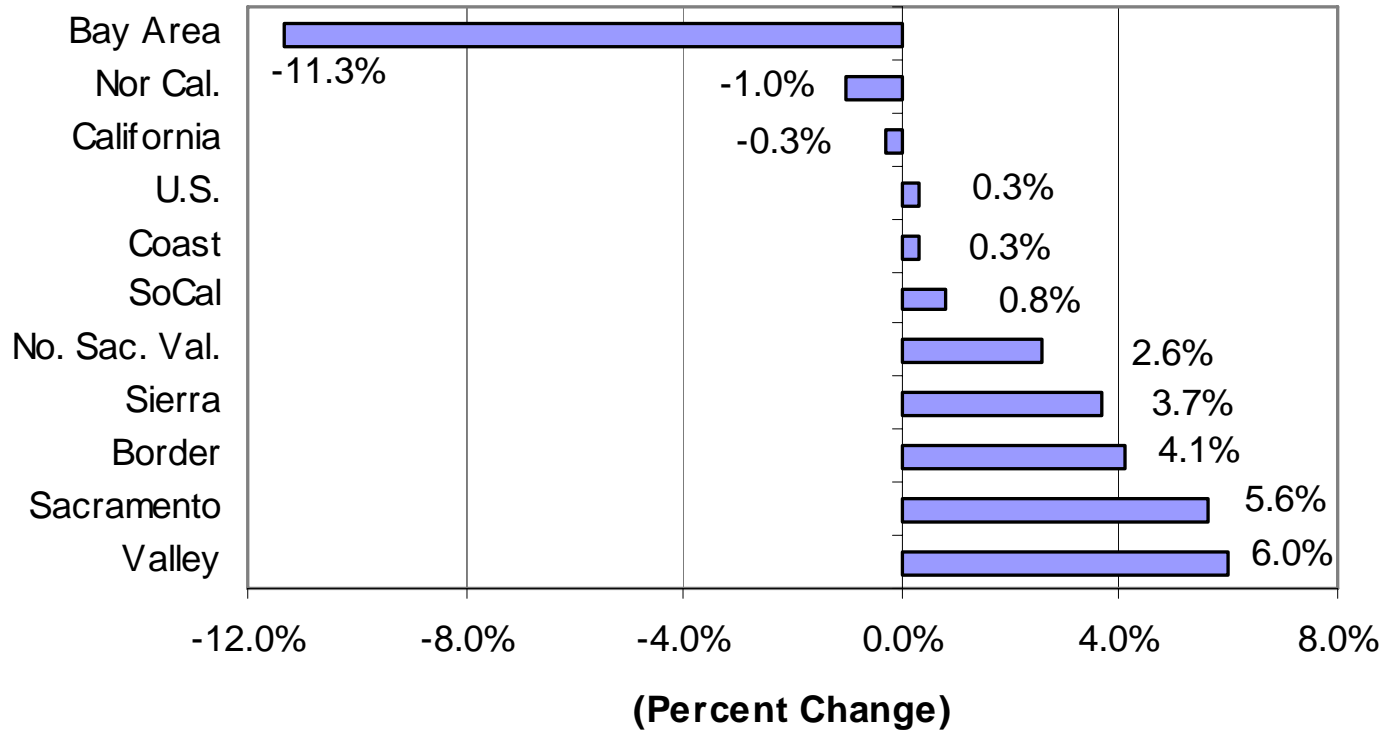
- California is an economy of regions— it is important to understand trends by region and industry
- Most jobs are created by homegrown firms
- Manufacturing is transforming
- Rural entrepreneurship is increasing

Understanding California's Economy

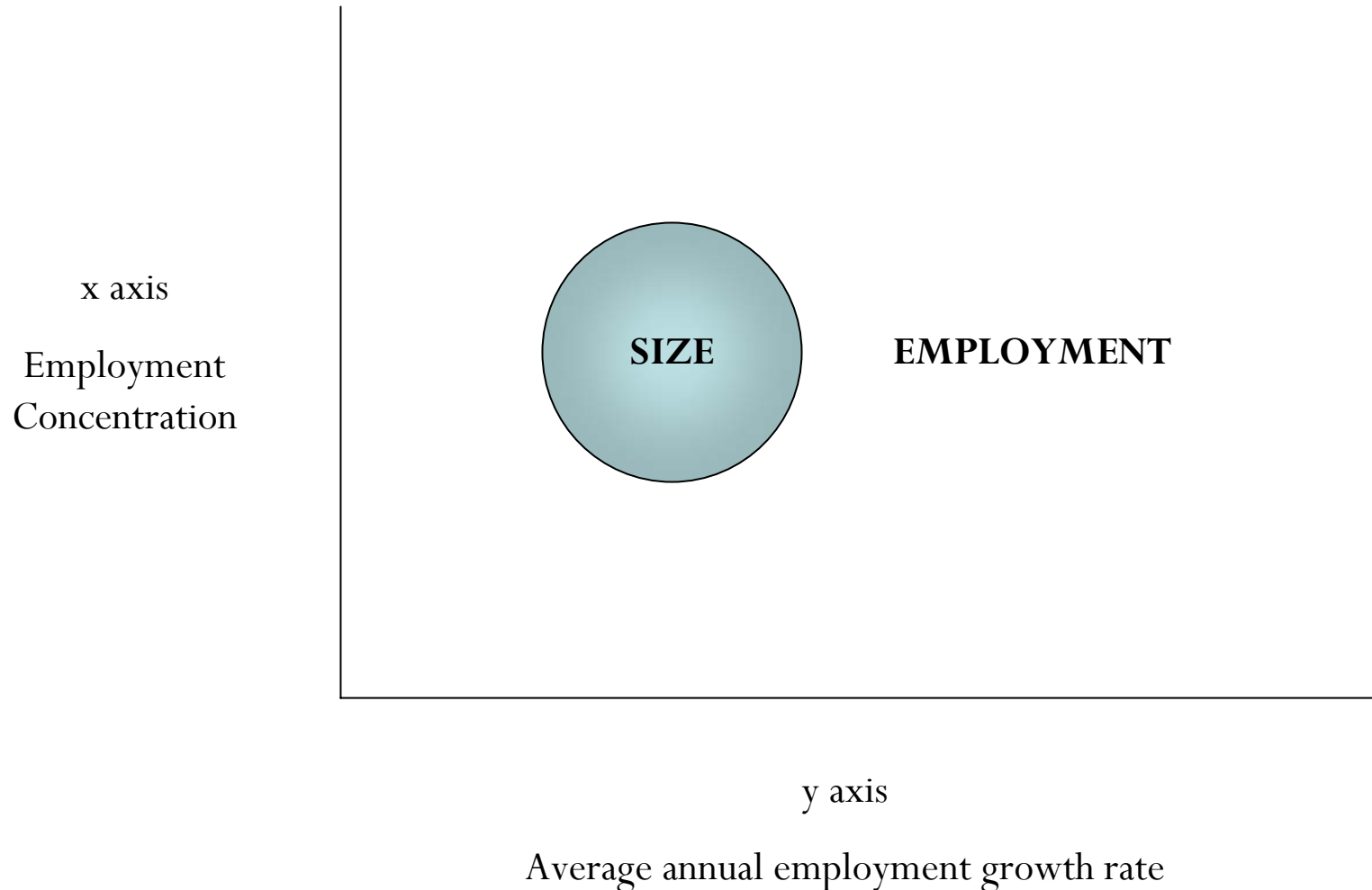
- California is an economy of regions
- Each region has different industries, infrastructures and workforces
- Economic strategy should be tailored to the these differences— one size does not fit all

California Economic Regions

Growth in Nonfarm Jobs Mar 01-Feb 05

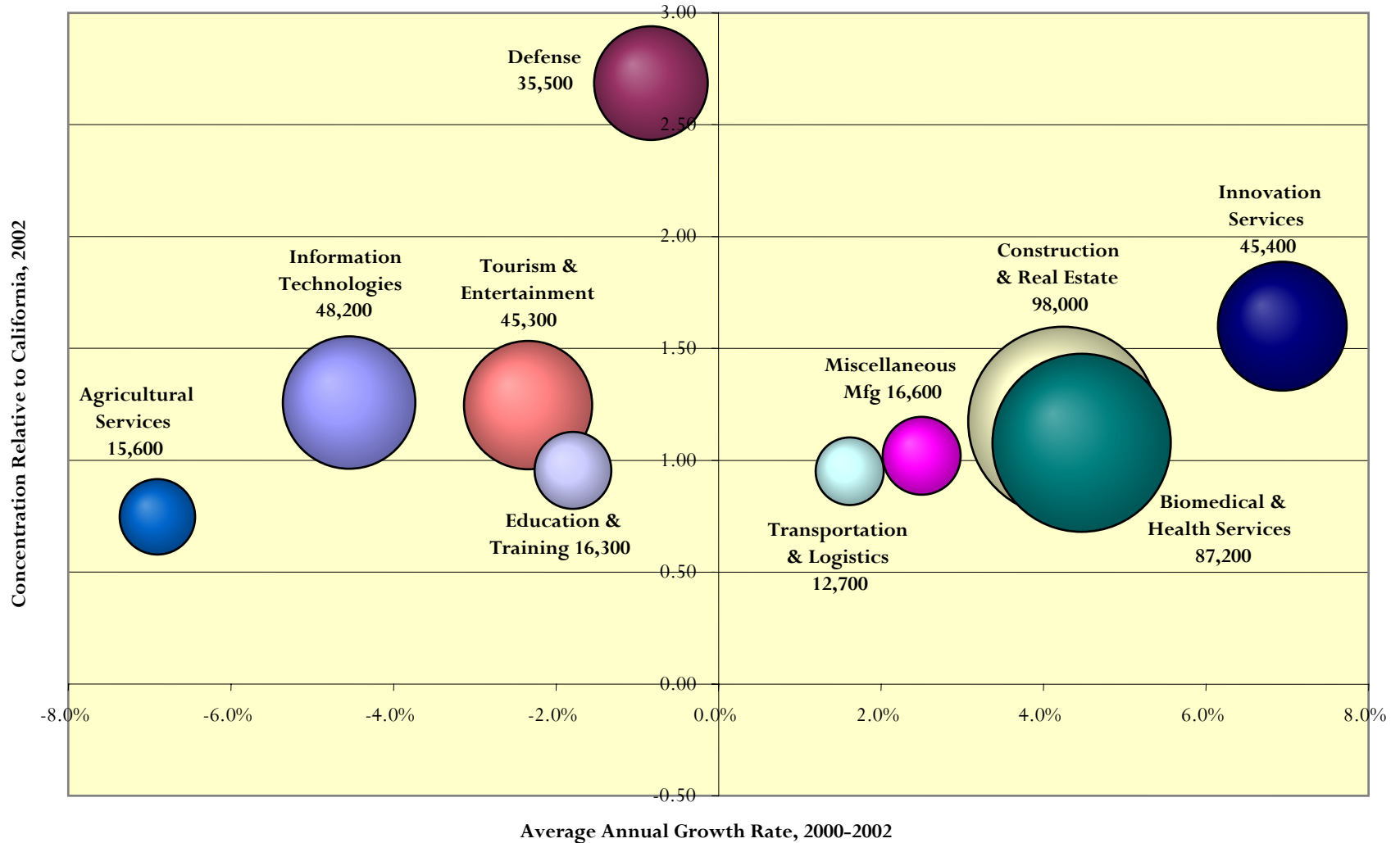


Regional Economic Portfolio

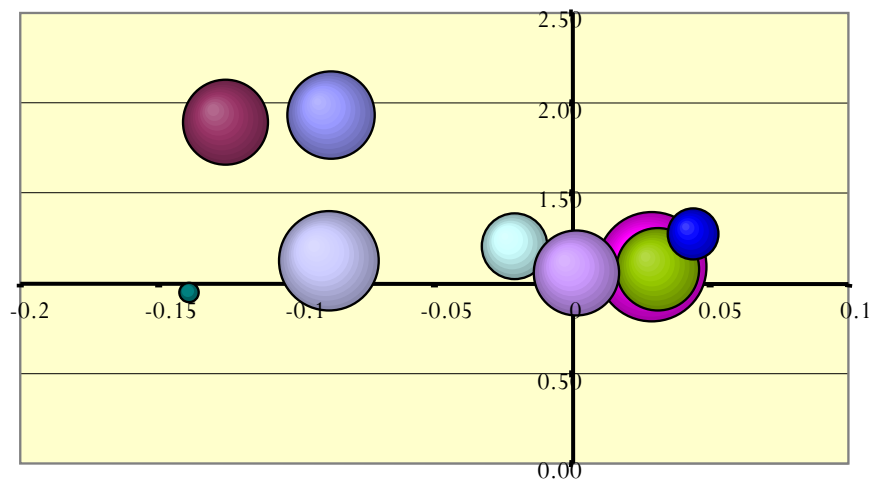


Southern Border

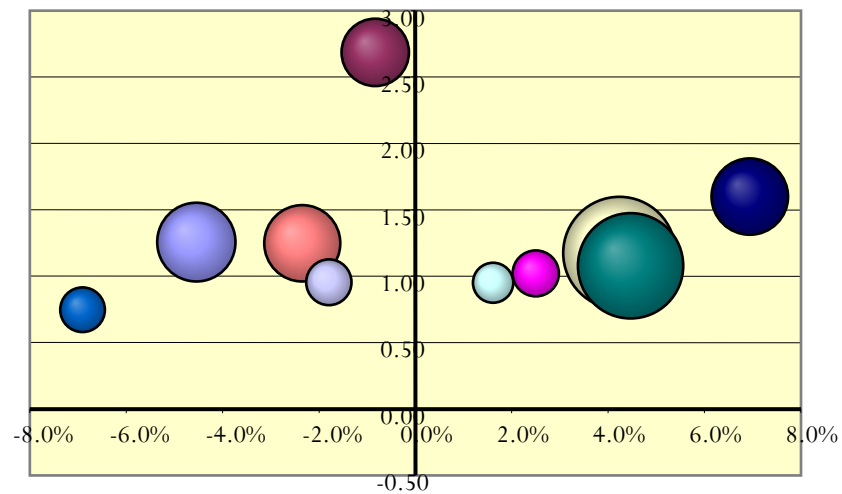
2000-2002



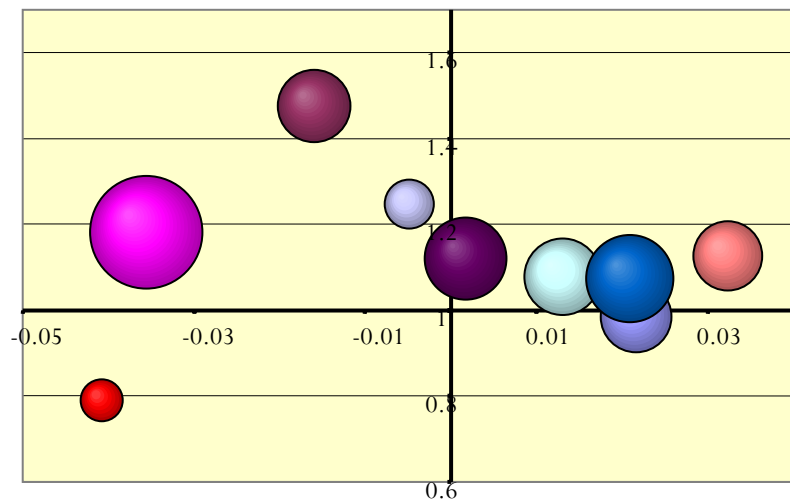
BAY AREA



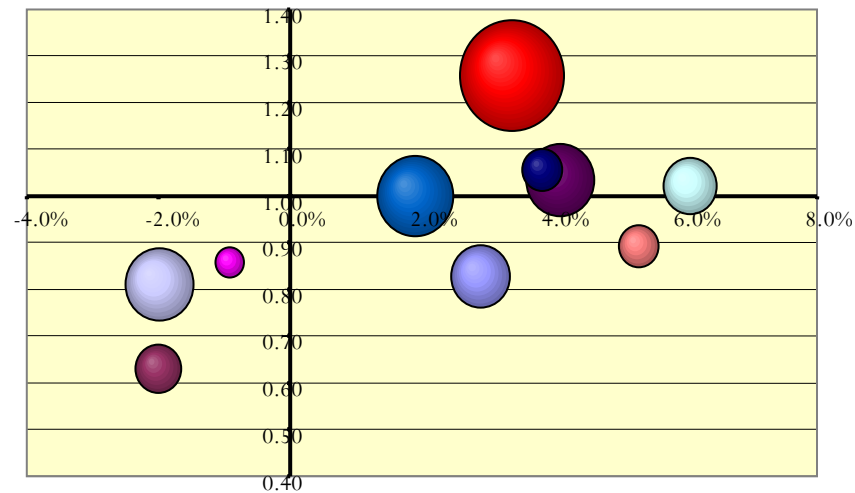
SOUTHERN BORDER



SOUTHERN CALIFORNIA



SAN JOAQUIN VALLEY



Major Clusters

Regions	Health Science and Services	Manufacturing Value Chain	Regional Experience
Northern California	XX		XX
Northern Sacramento Valley	XX		XX
Greater Sacramento	XX	XX	
Bay Area	XX	XX	
San Joaquin Valley	XX	XX	
Central Sierra	XX		XX
Central Coast	XX		XX
Southern California	XX	XX	
Southern Border	XX	XX	

Homegrown Job Growth

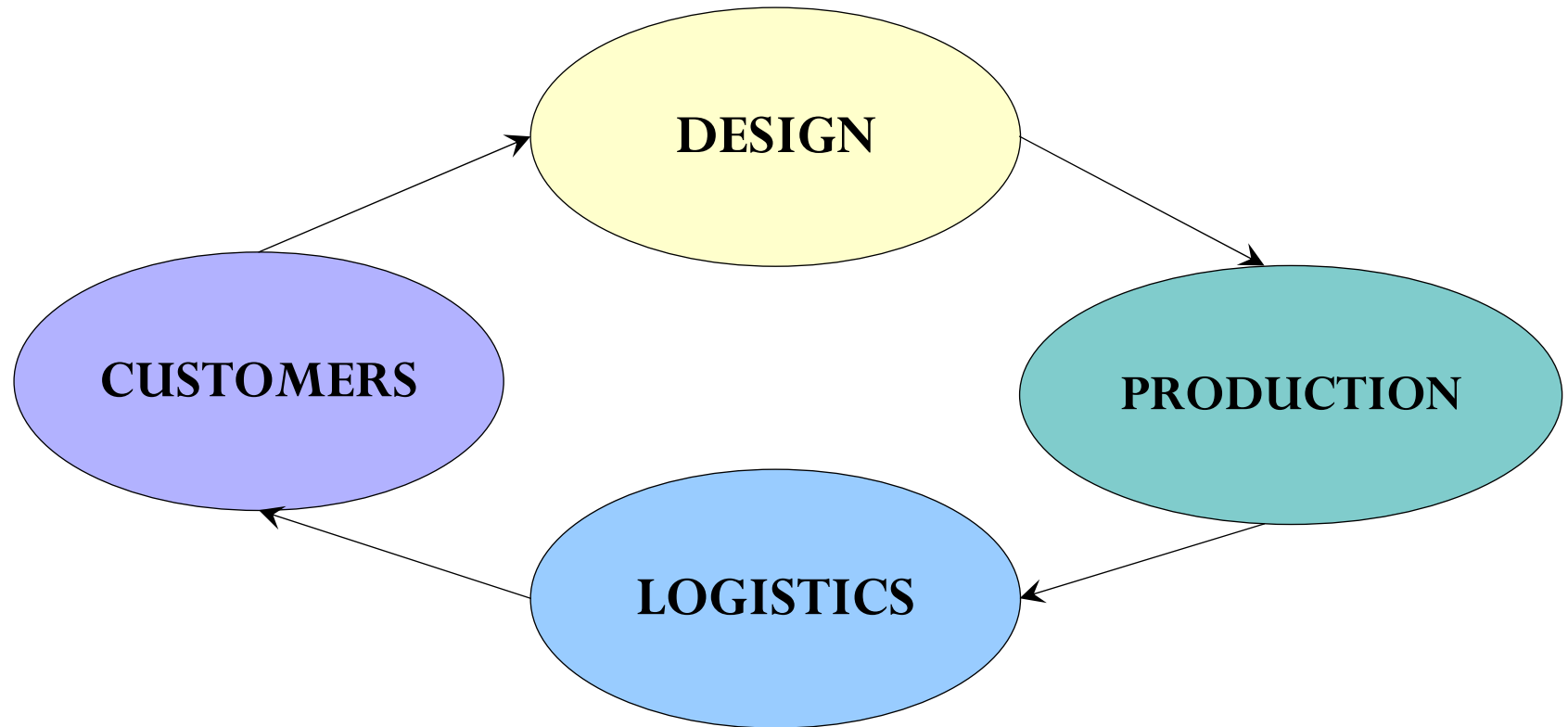
- Majority of job growth comes from the creation of new firms
 - More than 62% of California job growth from 1993 through 2002 came from newly formed firms
 - Another 37% of job growth came from expansion of existing firms
 - Less than 1% of job gains came from business moving in.

Homegrown Job Growth

- 71.4% job losses are caused by firms going out of business
- 29% of job losses are caused by firm contraction
- 1.5% of job losses are caused by firms moving out of the state.

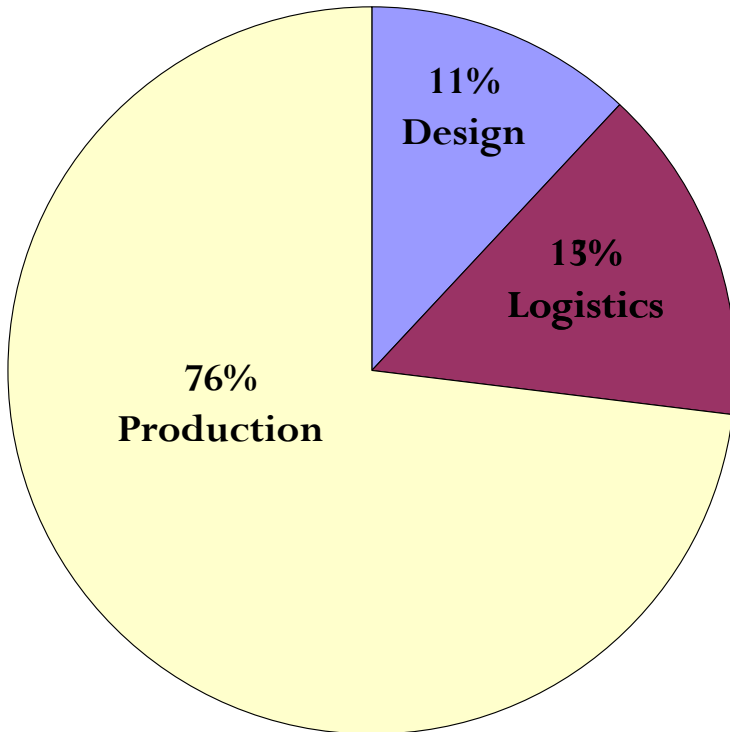
Source: Public Policy Institute of California

The Transforming Manufacturing Value Chain



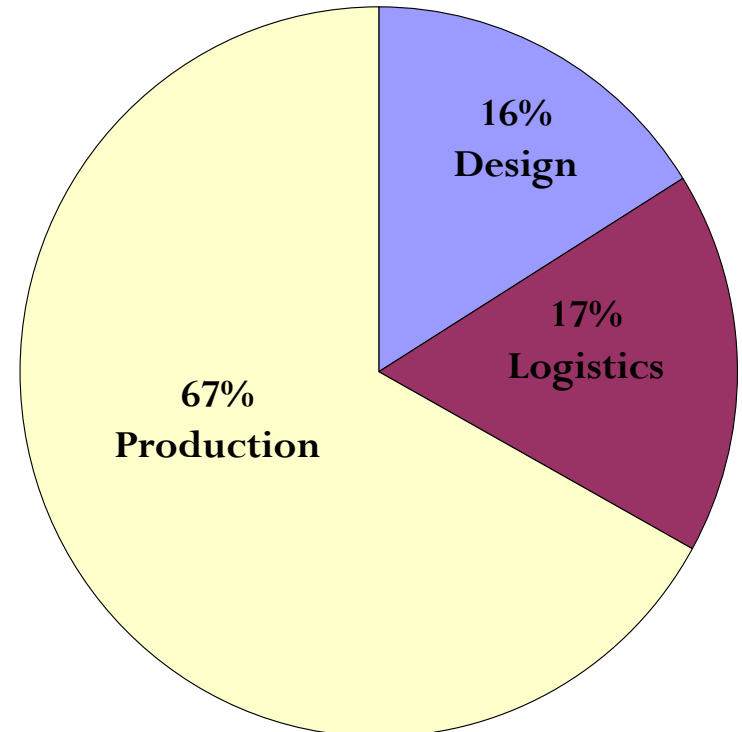
The Growth of Design and Logistics

1990



2.2 million

2002



2.1 million

Career Potential

	DESIGN	PRODUCTION	LOGISTICS
High-level	50%	25%	11%
Mid-level	35%	38%	80%
Entry-level	15%	37%	9%



LOGISTICS



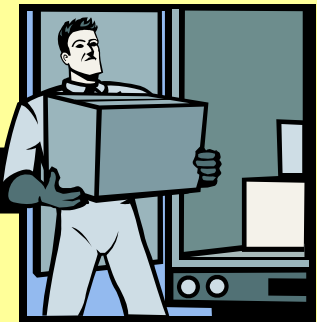
Supply chain management
firms offering operating advice and assistance in productivity improvement, inventory management, and production planning, quality assurance and materials handling and transport.



Logistics support
to transportation services includes air traffic control, navigational services to ships, packing and crating and freight transportation arrangement.



Warehousing & Storage
facilities storing goods and general merchandise, including products requiring refrigeration and the storage of bulk commodities.



Transportation services
the physical movement of goods from place to place by truck, air, water or rail freight transportation.

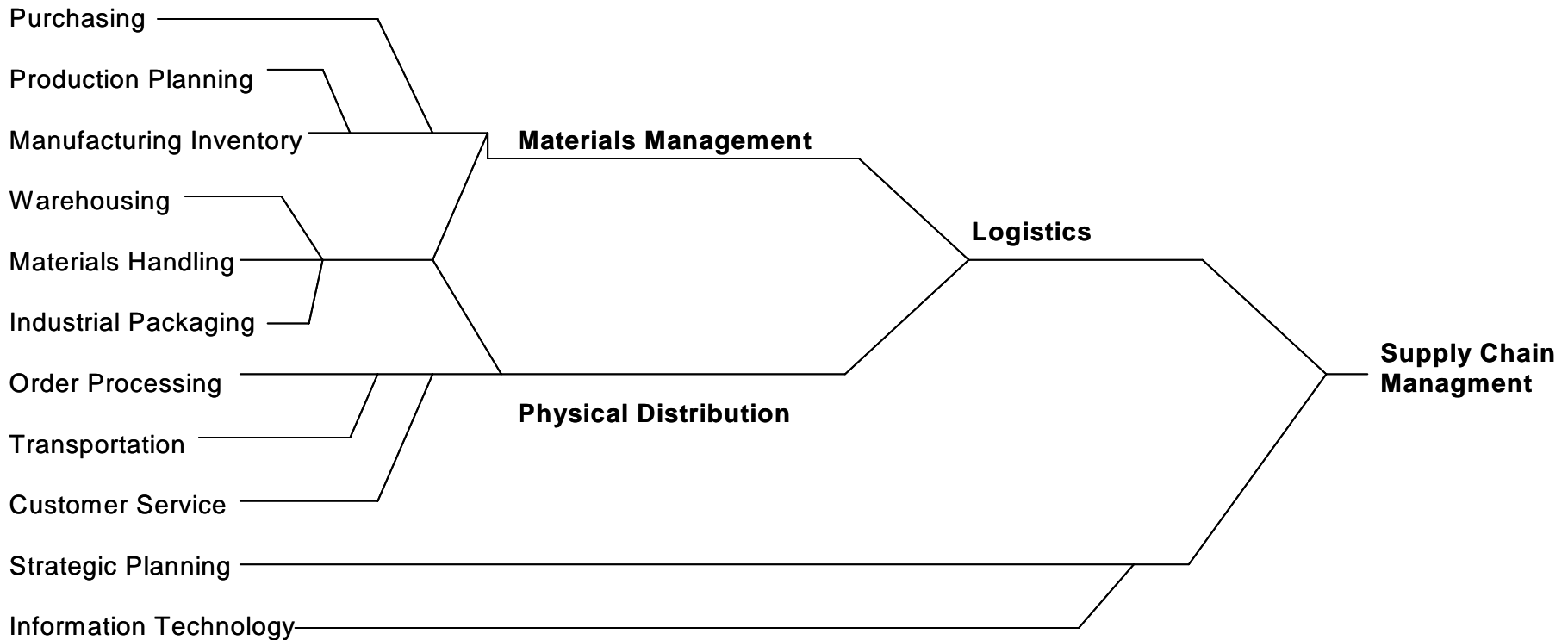
Integration of logistics function in supply chain management

Fragmentation 1960

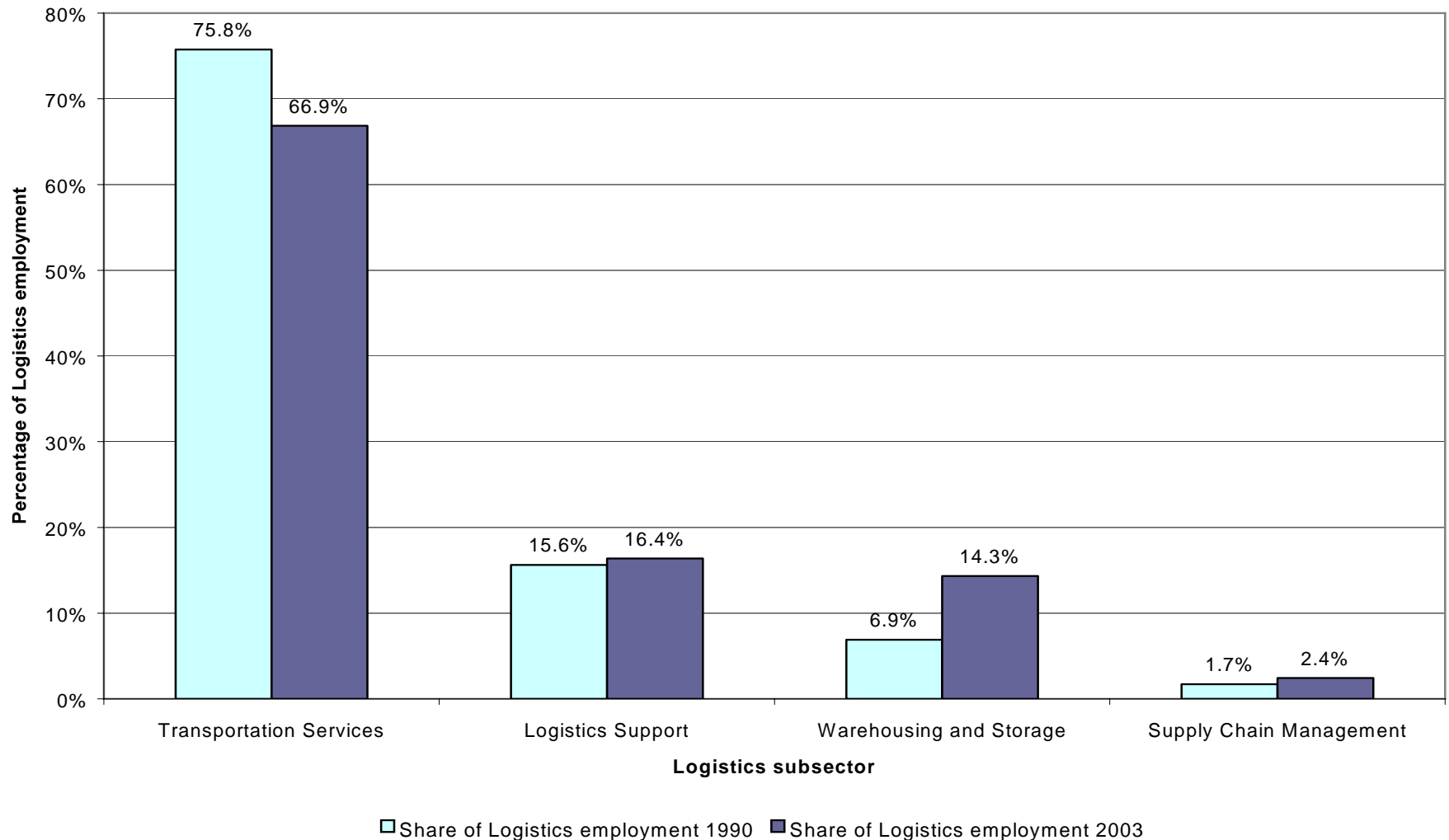
Evolving Integration 1980

Total Integration 1990

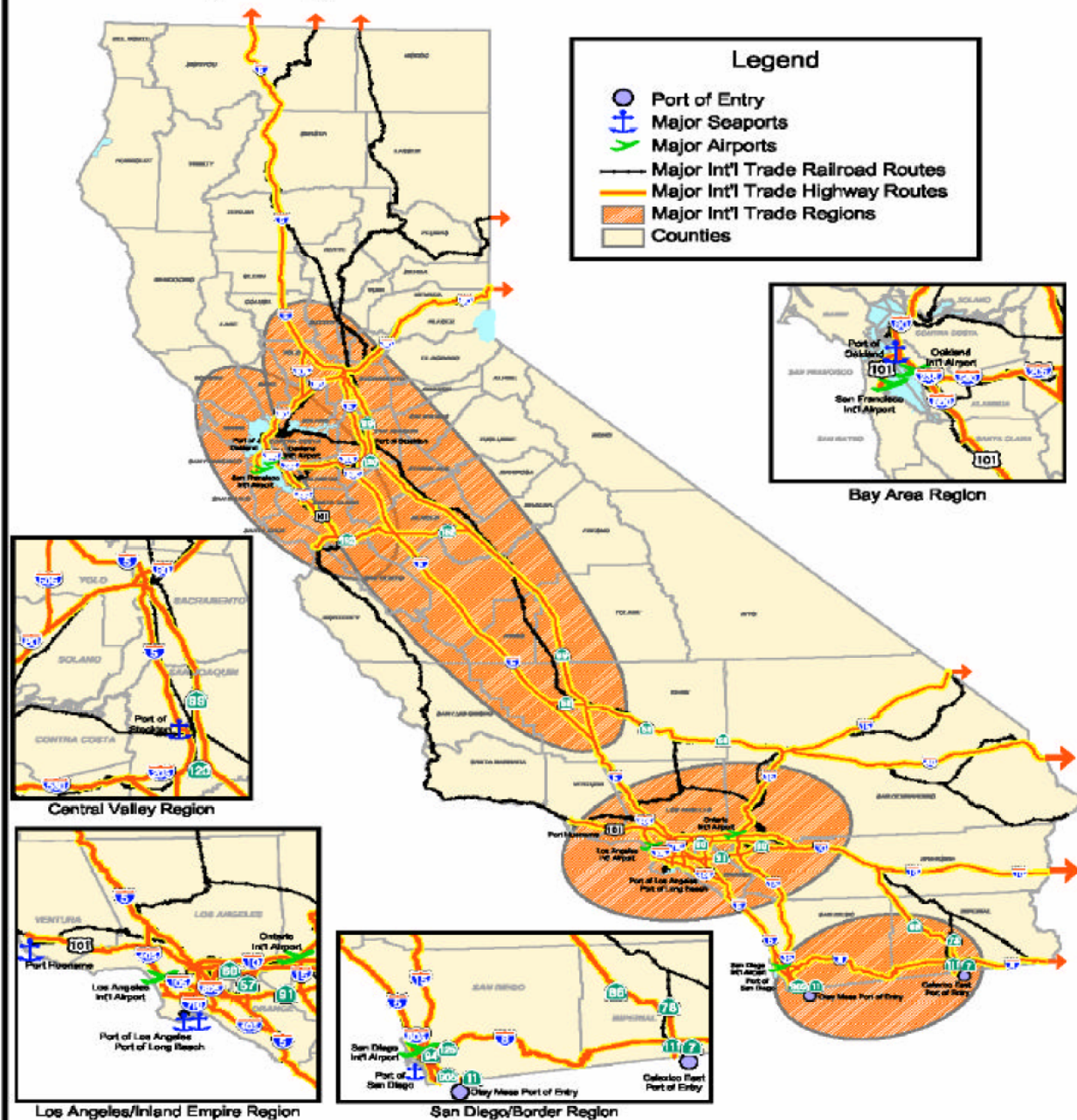
2000



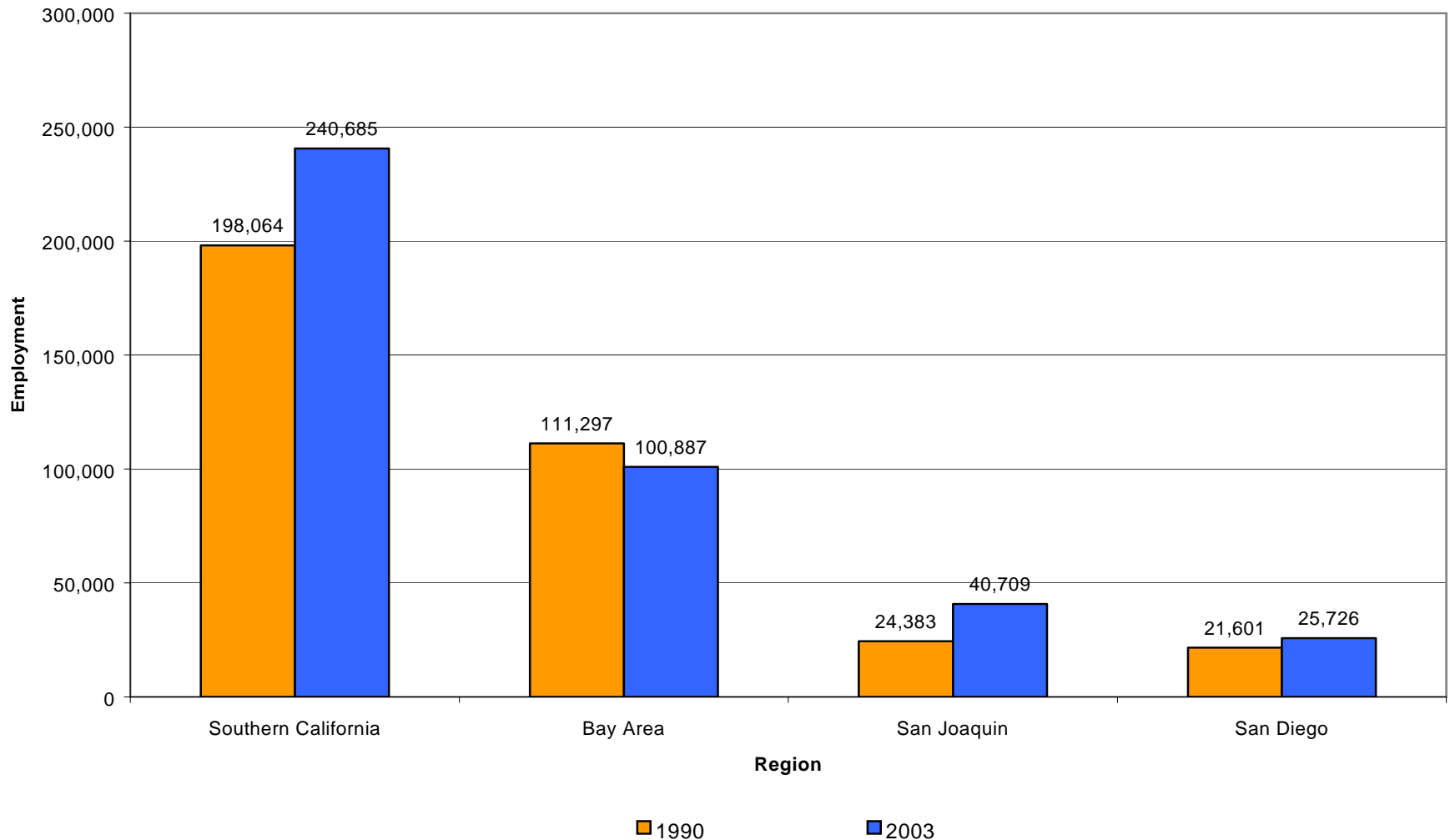
Change in share of California Logistics Employment by Subsector, 1990 - 2003



Priority Regions and Corridors in California



Logistics Employment by Region, 1990 and 2003



Logistics Employment by Subsector, Southern California

Southern California	1990	2003	Employment Change 1990 - 2003	% Employment in Subsector, 1990	% Employment in Subsector, 2003
Transportation services	148,456	152,022	2%	75%	63%
Logistics support	34,478	53,751	56%	17%	22%
Warehousing and storage	11,917	29,575	148%	6%	12%
Supply chain management	3,213	5,337	66%	2%	2%
<i>Logistics</i>	198,064	240,685	22%	100%	100%

Opportunities in Rural California

- Leveraging economic opportunity and jobs from quality of life experiences.
- This emerging cluster builds on natural historical and cultural places to include leisure and specialty services

Cluster of Opportunity

LONG-TERM, RECENT, & POTENTIAL RESIDENTS CURRENT & POTENTIAL VISITORS



DISTINCTIVE, REGIONAL QUALITY OF LIFE EXPERIENCE

NATURAL PLACES

- Sightseeing
- Tours
- Recreation
- Camping

HISTORY, CULTURE EDUCATION

- Museums
- Art galleries
- Live events
- Educational (ag-tourism)

LEISURE

- Amusements
- Gambling
- Golf
- Spectator sports

SPECIALTY FOOD, BEVERAGES, RETAIL

- Full service restaurants
- Wineries
- Specialized retail

REGIONAL QUALITY OF PLACE INFRASTRUCTURE

RESIDENTIAL INFRASTRUCTURE

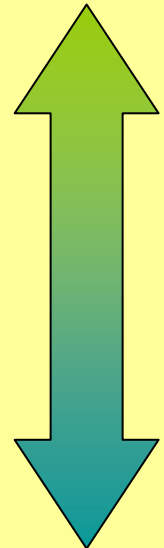
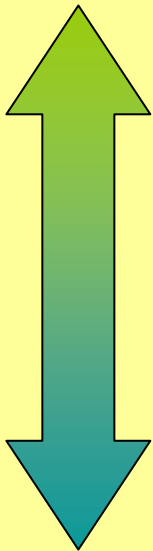
- Home construction
- Architectural services
- Services to buildings/dwellings
- Maintenance

GLOBAL CONNECTIONS INFRASTRUCTURE

- Telecommunications
- Travel Arrangements
- Air transportation
- Business support services

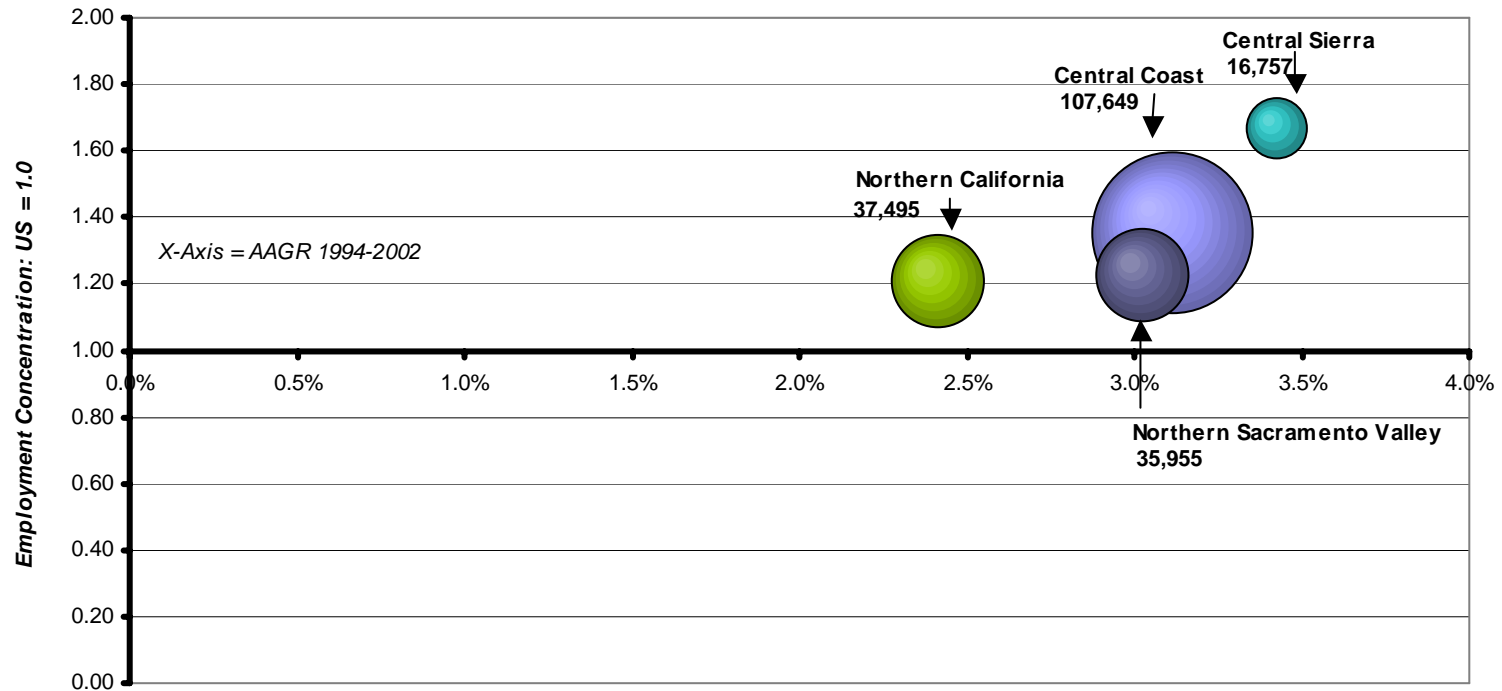
COMMUNITY INFRASTRUCTURE

- Heavy construction
- Utilities/public transit systems/waste mgmt
- Accommodations
- Civic/social orgs



30% of Rural Job Growth is From This Cluster of Opportunity

Portfolio of California's Regional Experience Employment by Region, 1994-2002



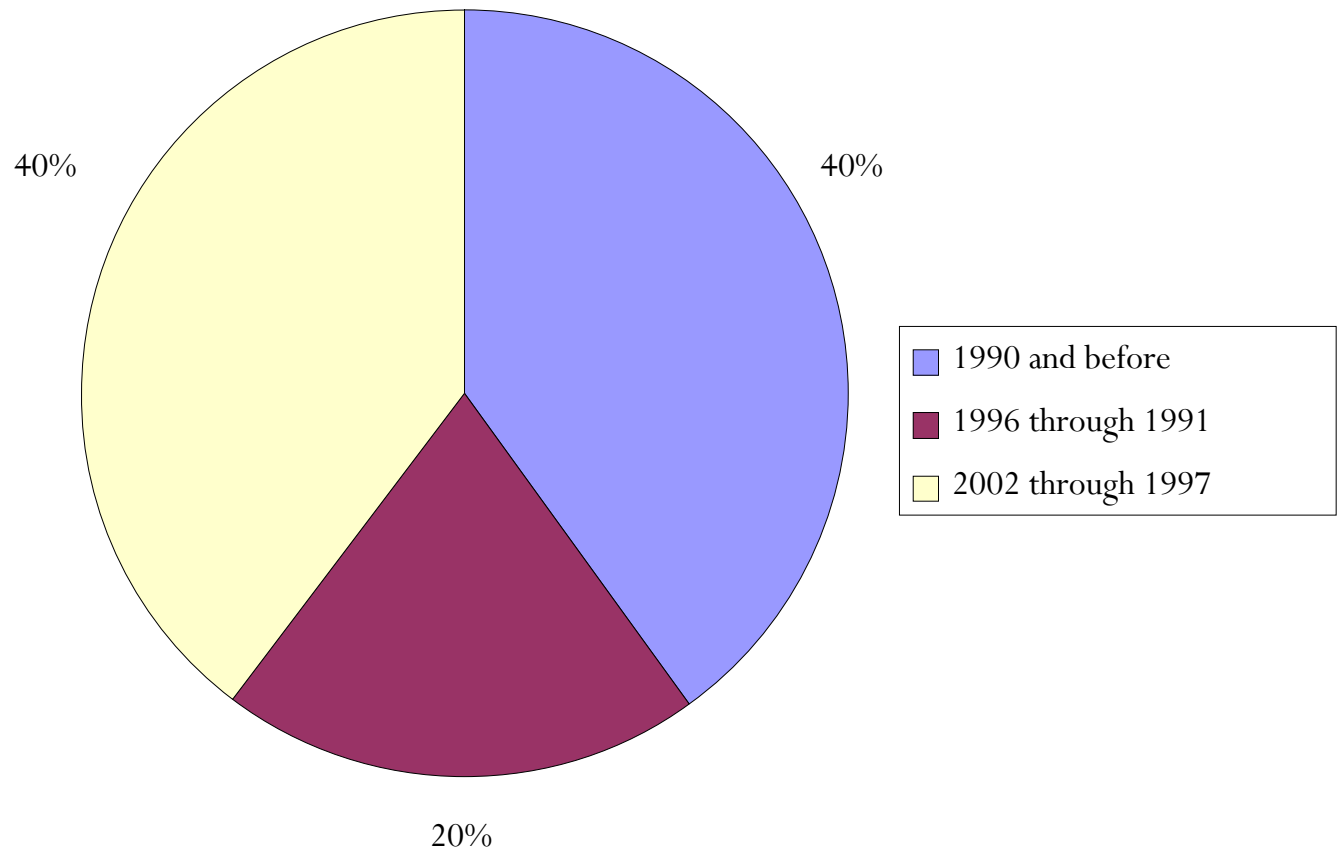
Size (2002), Concentration relative to the U.S. (2002) and AAGR of the Regional Experience Clusters (1994-2002)

The Key is Rural Entrepreneurship

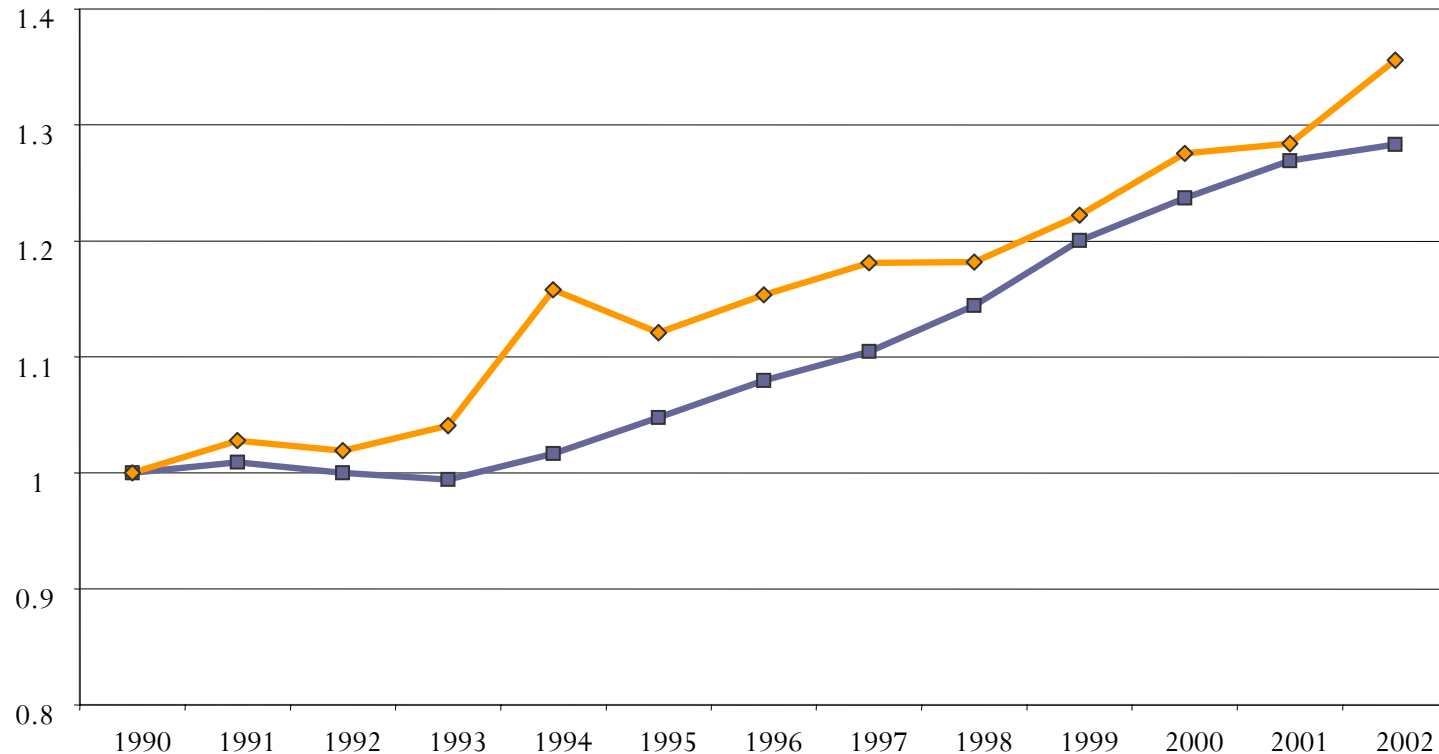
- Total number of firms in rural California has grown by more than 20,000 since 1990 thanks to entrepreneurship
- Firms created in just the last few years now account for much of today's rural California economies
- Headquarters operations account for most of total firms and employ most people in rural California

Rural California Full of Young Firms

Age of firms operating in rural California



Self-employment is growing faster than wage and salary employment



Indexed regional farm and non-farm self-employment compared with total wage and salary jobs in the Sacramento Valley Region, 1990 - 2002

Source: US Bureau of Economic Analysis

■ Wage and salary employment
◆ Non-farm self-employment

Recommendations

- Use labor market information for regional economic development and workforce strategies
- Recognize the key role of homegrown firms in California's job creation
- Focus on transforming manufacturing with a priority on investing in infrastructure and training for goods movement and logistics
- Promote rural entrepreneurship.